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INTRODUCTION

The Office of Internal Audit performed an audit of Lenawee County DHS for the period October 1, 2003 through February 9, 2005. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Department of Human Services (DHS) are being followed. Lenawee County DHS had 58 full time equated positions (FTE's) at the time of our review. Lenawee County DHS provided assistance to an average 6,176 recipients per month during FY 2003, with total assistance payments of \$7,421,794 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Lenawee County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Cash Receipts	State Emergency Relief
Cash Disbursements	Children Protective Services
Safe and Controlled Documents	Procurement Cards
CMIS/ASSIST	Customer Processing
Payroll and Timekeeping	Direct Supportive Services
General Ledger	Modified Accrual Basis Balance Sheet

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Lenawee County DHS internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found several instances of noncompliance with DHS policies and procedures and weaknesses in internal controls, which are detailed below.

LOCAL OFFICE RESPONSE

The management of Lenawee County DHS has reviewed all findings and recommendations included in this report. They indicated in an e-mail that they are in general agreement with the findings and recommendations in this report that corrective action has been taken for all items.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Open Items on DHS-61

1. Lenawee County DHS did not always record disposition information on the Record and Disposition of Checks/Warrants (DHS-61), as required by Accounting Manual Item 460. We found one open item on the DHS-61, where the checks/warrants were not on hand and the local office had not recorded the disposition. Recording the disposition on the DHS-61 provides documentation that returned checks/warrants were disposed of properly.

WE RECOMMEND that Lenawee County record the disposition of all checks/warrants on the DHS-61.

CIMS/ASSIST/LASR Security

CIMS Security Agreements

2. The Lenawee County DHS did not have accurate, up-to-date CIMS Security Agreements (DHS-3974A) on file for 12 out of 56 employees who access the Client Information Management System (CIMS), as required by L-Letter 97-063. The twelve employees had a status code indicated on the DHS-3974A that did not agree with the current status code listed on the Operator Identification Report (PF-011). An accurately completed Security Agreement is necessary to document that the employee understands the responsibilities associated with their CIMS access, and that the supervisor approves the level of CIMS access.

WE RECOMMEND that Lenawee County DHS ensure that all employees who have access to CIMS have an accurate, up-to-date Security Agreement on file.

ASSIST Enrollment Profiles

3. Lenawee County DHS did not have accurate, up-to-date ASSIST Enrollment Profiles (DHS-3720) on file as required by L-Letter 97-156. Two of the 60 employee's had different job types listed on the VB9-554 report than what is recorded on the Enrollment Profile.

WE RECOMMEND that Lenawee County DHS ensure that accurate, up-to-date Enrollment Profiles (DHS-3720's) are on file for all employees who have access to ASSIST.

Security Officers Log Reports

4. Lenawee County DHS did not have proper separation of duties for reconciling the Security Officer's Log Reports. The same person who was the backup security

coordinator also reconciled the Security Officer's Log Report (PD-180), the ASSIST Security Officer's Log Report (VB9-173), and the Violation Report (VB-163). A Security Officer is to receive these reports for reconciliation purposes. In addition, the coordinator was maintaining the Local Accounting System Replacement (LASR) Access Security Request (LR-84) and reconciling the Security Officer's Log Report (LR-853). The Primary Internal Control Criteria for Local/District Office Operations recommends reconciliation of these reports by an independent person to ensure that all changes made are accurate and approved by supervision.

WE RECOMMEND that Lenawee County DHS have an independent person reconcile the Security Officers' Log Reports.

Incompatible Job Types

5. Lenawee County DHS did not properly separate the duties of case registration and opening/reopening among the staff. There are 3 Family Independence Managers (FIM's) who have Job Types of (ES) 240, (FIS) 270, (FIM) 280, and registration support (360). The Primary Internal Control Criteria for Local/District Offices states that no one person shall have both the 240/270/280 and 360/370 job types. Assigning staff ASSIST job types that allow them to register and open cases on ASSIST does not allow for the proper separation of duties.

WE RECOMMEND that Lenawee County DHS properly separate duties of case registration and case opening.

Procurement Card

Reconciliation of the Transaction Detail Report

6. Lenawee County DHS did not follow up when an October 2004 Transaction Detail Report was not received for various purchases made with the procurement card. Because the Transaction Detail Report was not received, the reconciliation of the Procurement Card Log could not be performed. Reconciling the purchases listed on the Procurement Card Log to the Transaction Detail Report helps to ensure that items purchased were recorded on the report and appropriately accounted for, authorized, and approved.

WE RECOMMEND that Lenawee County DHS follow-up with the Bureau of Administrative Services when the Transaction Detail Report is not received so that they may complete the reconciliation of the Procurement Log.

Payroll and Timekeeping

Supervisor's Approval of Time and Attendance Reports

7. The Lenawee County DHS supervisors did not always approve the employees' Time and Attendance Reports (DHS-4299). For the month reviewed there was one DHS-4299 that was not approved by the supervisor. The Primary Internal Control Criteria for Local/District Office Operations recommends that the supervisor approve the employee time and attendance reports, attesting to the accuracy of all reported time.

WE RECOMMEND that Lenawee County DHS ensure that all DHS-4299's are approved by the appropriate supervisor.

Reconciliation of HR-332A to the Turnaround HR-332A

8. Lenawee County DHS did not have an independent person reconcile the turnaround HR-332A to the original HR-332A report a week after the time was submitted. Rather, one of the timekeepers performed the reconciliation. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper reconcile the turnaround HR-332A report to attest to the accuracy of the payroll.

WE RECOMMEND that Lenawee County have someone other than the timekeeper reconcile the original HR-332A report to the turnaround HR-332A report to verify the accuracy of the payroll.

Cash Disbursements

Signature Card at the Bank

9. Lenawee County DHS was inappropriately maintaining two employees' names on the signature card on file at the bank as authorized to sign checks: one is retired and the other is working in another county. In addition, one authorized employee has access to the blank check inventory. For internal control purposes, only current employees who do not have access to the supply of blank checks and are not involved in the disbursements functions should be authorized to sign checks.

WE RECOMMEND that Lenawee County DHS remove the two separated employees from the signature card on file at the bank, and assign the responsibility of signing checks to current employees who are not involved in the disbursements function, and who do not have access to blank checks.

General Ledger

Outstanding Checks

10. Lenawee County DHS had one check on the outstanding checklist that was over 18 months old. Accounting Manual Item 405 states that checks over 6 months old are to be voided and the bank balance adjusted.

WE RECOMMEND that Lenawee County DHS void stale dated checks and adjust the bank balance according to the instructions in the Accounting Manual.